U. S. SENATE
Republican Policy Committee
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Highlights of the Dole Economic Growth Plan

[For an in-depth analysis of the Dole plan, see RPC paper, "The Dole Economic Plan: Less Federal Taxes Means Increased Economic Growth," issued August 9, 1996.]

The Dole Economic Growth Plan solves both the current and future problems created by the Clinton Administration's economic record. It does so by relying on the private sector — the only ***real*** producer of economic growth. This is exactly opposite to Clinton's reliance on the public sector through more taxes, more spending, and more regulations. The Dole plan not only promises real growth but ***is more realistic in its economic assumptions and calculations*** than President Clinton's last budget. As a result, the Dole Economic Growth Plan's tax cut and $500 per child tax credit would annually leave $80 billion of earnings in Americans' pockets — an average of $1,689 per taxpaying family — that President Clinton otherwise would take out.

The Clinton Formula for Economic Stagnation

- The Clinton approach has been convoluted and misguided: 1) Take money away from earners, 2) Give it to federal bureaucrats, and 3) Return a small part under federal rules and regulations in hopes of creating growth. It has not worked and will not.
  - Economic growth (as measured by real GDP growth) is the lowest of any post-World War II recovery. Three times last year alone it was below 1 percent.
  - America's total tax burden (as a percentage of annual economic output) never has been higher. In 1995, federal, state, and local taxes amounted to more than 30 percent of America's output.

The Dole Formula for Economic Growth

- The Dole approach to economic growth is straightforward and sensible: Keep money with those who earned it and best know how to use it. It has worked and will again.
  - The centerpiece of the Dole plan is a $551.3 billion tax cut (JCT estimate) over six years. Almost 80 percent of this reduction comes from a three-stage, across-the-board 15-percent cut in personal income taxes. The plan also provides a $500-per-child tax credit for children under 18, an expanded IRA, a new spousal

IRA, and a new Education Investment Account (EIA) for tax-free savings (up to $500 annually deposited) when used for college education; further the plan repeals Clinton's 1993 Social Security tax increase and cuts in half the capital gains tax rate for individuals.

- The Dole plan does more than just immediately cut taxes. It cuts federal intrusion by reducing unnecessary regulations, frivolous lawsuits, and by fundamentally overhauling the current anti-growth federal tax code to create a fairer and flatter system that rewards saving and investing. Finally, it requires a balanced budget which will be assured by a constitutional amendment and demands that the budget be balanced by restraining federal spending.

- The Dole plan cuts the tax burden of a family of four making $35,000 (in net income) in half (51.8 percent) and cuts the burden by a quarter for a family of four making $75,000 (26.7 percent), according to Coopers & Lybrand.

- Presidents Reagan and Kennedy cut taxes as did 21 states in 1995 alone. They did it because it works.

Dole Plan's Assumptions More Realistic Than Clinton's

▸ The Dole plan is paid for — not through gimmicks but through federal savings where America can afford it most: reducing the Washington bureaucracy. The Clinton budget relies on gimmicks and never would pay for itself.

- The Dole plan doesn't claim "to pay for itself." In fact, only $147 billion is assumed to come from a $551.3 billion tax cut, legal reform, regulatory reform, and fundamental tax code reform. Still, even if all $147 billion were assumed to come from the tax cut, this amounts to just a quarter of the total $551.3 billion.

- In addition to the deficit reduction assumed in the FY 1997 budget resolution, the money needed to balance the budget ($217 billion over six years) would come from an FCC spectrum auction ($34 billion), a 10-percent administrative cut ($90 billion), and a reduction in non-defense discretionary spending ($93 billion) — i.e., not from mandatory entitlement such as Social Security, Medicare, or Medicaid.

- The Dole plan is premised on a balanced budget; its additional deficit reduction amounts to just a 6-percent reduction in non-defense discretionary program spending. Overall federal spending under the Dole plan increases $211 billion, or 13.4 percent, above today's total.

- Under Clinton, the budget is not now and never will be balanced. Despite Clinton's 6/4/92 promise to "present a 5-year plan to balance the federal budget," CBO projects the deficit will be $156 billion in 1997 and $81 billion in 2002 under Clinton's budget.

- Despite this, the Clinton budget cuts taxes by just $117.4 billion gross and $25.4 billion net, yet claims $304 billion in economic growth beyond what CBO estimates. Therefore, the economic growth "feedback" Clinton claims is double the gross tax cut and twelve times the net tax cut.

Vision is the Difference

- The Dole approach relies for future economic growth on what has produced the world's greatest economic system: the American wage earner and the American investor. The Clinton approach has been to rely on what has slowed America's economic growth to the slowest rate of any post-World War II recovery: federal bureaucracy.

  - The Dole economic approach keeps money where it is earned so that it can be saved and invested by those who earned it. This is achieved with a comprehensive plan that relies on an immediate tax cut, regulatory reform, legal reform, fundamental tax reform, and a federal budget that is balanced through restraining the rate of growth of federal spending. ***In short, the Dole approach trusts America's prosperity to the American people.***

  - The Clinton approach takes money from America's earners and investors and delivers it to Washington's bureaucrats. It does this with more regulations, more mandates, and $275.6 billion in new taxes in 1993 — America's largest increase ever. President Clinton further proposed $289 billion in new taxes to pay for his nationalized health care system in 1994 and his party in the Senate proposed $295.6 billion in new taxes in 1996 during debate on the budget resolution. ***In short, the Clinton approach trusts America's prosperity to the Washington bureaucrat.***

  - The different approaches for economic growth is clear. The Dole plan would rely on the private sector. The Clinton plan has and would continue to rely on the public sector. The Dole plan acknowledges that the budget can be balanced, taxes cut, and the economy grown by simply restraining federal spending's rate of growth. The Clinton plan refuses to acknowledge that federal spending must be restrained if the American Dream is to survive.

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[Attachment: Heritage Foundation's state-by-state comparison of average savings for income-tax-paying families provided by the Dole Economic Growth Plan.]

The Dole-Kemp Tax Cut:
A State-by-State Analysis of Annual Tax Savings[1]

State	Total Tax Savings	Savings per Family[2]
Alabama	$1,133,986,343	$1,745
Alaska	$214,090,809	$1,901
Arizona	$1,024,713,327	$1,755
Arkansas	$584,934,945	$1,508
California	$9,108,930,533	$1,684
Colorado	$1,358,280,081	$1,731
Connecticut	$1,349,759,488	$1,688
Delaware	$247,072,562	$1,654
District of Columbia	$236,714,552	$1,401
Florida	$3,877,644,228	$1,626
Georgia	$2,075,738,941	$1,685
Hawaii	$394,664,539	$1,671
Idaho	$217,102,820	$1,730
Illinois	$3,962,435,509	$1,752
Indiana	$1,884,582,082	$1,655
Iowa	$1,065,346,079	$1,784
Kansas	$824,036,896	$1,842
Kentucky	$1,102,333,990	$1,622
Louisiana	$1,088,848,907	$1,745
Maine	$372,485,025	$1,667
Maryland	$1,881,489,229	$1,672
Massachusetts	$2,072,920,985	$1,768
Michigan	$3,126,367,750	$1,796
Minnesota	$1,740,499,958	$1,826
Mississippi	$558,494,850	$1,496
Missouri	$1,617,290,971	$1,761
Montana	$152,966,158	$1,449
Nebraska	$479,303,153	$1,722

[1] Tax savings from fully phased-in 15 percent income tax cut and $500 per child tax credit only
[2] Annual mean tax savings per family.

State	Total Tax Savings	Savings per Family[2]
Nevada	$424,084,274	$1,660
New Hampshire	$379,428,321	$1,629
New Jersey	$2,858,338,322	$1,727
New Mexico	$429,900,590	$1,795
New York	$5,362,883,023	$1,646
North Carolina	$1,931,542,715	$1,555
North Dakota	$199,682,267	$1,754
Ohio	$3,561,562,739	$1,609
Oklahoma	$872,059,764	$1,615
Oregon	$1,003,133,203	$1,726
Pennsylvania	$3,729,241,197	$1,677
Rhode Island	$303,566,489	$1,684
South Carolina	$976,368,872	$1,497
South Dakota	$201,726,895	$1,626
Tennessee	$1,522,877,233	$1,584
Texas	$5,007,395,712	$1,692
Utah	$626,570,940	$2,009
Vermont	$220,015,557	$1,728
Virginia	$2,229,569,659	$1,639
Washington	$1,995,421,373	$1,737
West Virginia	$437,284,324	$1,673
Wisconsin	$1,752,128,411	$1,737
Wyoming	$159,367,440	$1,886
Other Regions	$338,518,258	$1,728
United States	$80,275,702,288	$1,689

Source: Heritage Foundation at the request of Sen. Abraham